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## **OLR Bill Analysis**

### **sHB 5224**

#### ***AN ACT ESTABLISHING AN URBAN REVITALIZATION PILOT PROGRAM.***

##### **SUMMARY:**

This bill requires the Department of Economic and Community Development (DECD) commissioner, in consultation with the Connecticut Housing Finance Authority (CHFA), to establish a pilot program in at least five distressed municipalities to foster revitalization and stabilization in urban neighborhoods by facilitating the acquisition and renovation of one- to four-family homes and prioritizing owner-occupancy.

To pay for the pilot program, the bill (1) increases the maximum FY 13 general obligation (GO) bond authorization to DECD for certain housing programs by \$62.5 million from \$25 million to \$87.5 million and (2) for FY 13, reserves a total of \$5 million of the authorized funds for the pilot program. It also reserves \$12.5 million for congregate housing development, \$1 million for certain grants-in-aid under the Money Follows the Person program, and \$30 million to revitalize moderate-income rental housing that CHFA maintains in its portfolio.

DECD must report to the Housing Committee by (1) February 1, 2013 on the program's status; (2) January 1, 2014 with an interim report; and (3) January 1, 2015 with a final report.

EFFECTIVE DATE: Upon passage, except the bonding provision is effective July 1, 2012

##### **PROGRAM PARAMETERS AND ADMINISTRATION**

DECD, in consultation with CHFA, must (1) establish program parameters by October 1, 2012 and (2) by January 1, 2013, designate at least five municipalities that will participate.

A person who receives program assistance must agree to (1) occupy the home, or a unit in it, as his or her primary residence for at least five years or (2) transfer the home to a person who agrees to do so. The bill authorizes the program to give priority to first-time home buyers and people living in a targeted neighborhood.

The bill authorizes DECD to contract with a statewide nonprofit organization to administer the program and establishes requirements for the program administrator. The bill does not specify who administers the program if DECD does not contract with a nonprofit organization for this purpose.

The bill requires the program administrator to:

1. target neighborhoods where concentrated resources can have a substantial impact on revitalizing and stabilizing the surrounding community and
2. recruit community stakeholders to provide active support for the program, including local banks, local boards of realtors, neighborhood revitalization zone committees, community-based organizations, community development financial institutions, and similar entities.

#### **PROGRAM GOALS AND PROMOTING PARTICIPATION**

The program's goal is to increase homeownership in targeted neighborhoods with high proportions of one- to four-family properties. It must promote owner-occupancy in buildings that are for sale, vacant, deteriorated, in foreclosure, or bank- or investor-owned. To accomplish this goal, the bill requires the program coordinator to, as necessary:

1. draw on diverse public and private funding sources and programs, including foundations, local loan funds, and programs that agencies other than DECD administer, including CHFA, the Clean Energy Finance and Investment Authority, and the Energy and Efficiency Fund;

2. use public funds to leverage private resources;
3. provide financing or investment to support property purchase, rehabilitation, construction, demolition, energy efficiency, and aesthetic improvements, including financial products that promote homeownership (e.g., down payment assistance), and identify other financial resources to support such activities;
4. offer incentives to investors to develop tenants into owners, apply income restrictions to housing units to ensure affordability, and conduct energy efficiency improvements to meet weatherization goals;
5. identify and coordinate access for program participants to (a) rental assistance and foreclosure prevention resources and (b) other resources that will increase homeownership, stabilize or decrease occupancy costs, and stabilize neighborhoods;
6. provide assistance to (a) individuals who are or will become homeowners and (b) nonprofit and for-profit entities that will purchase and rehabilitate properties to sell to individuals who will become homeowners;
7. provide support services to program participants who are or will become homeowners to maximize the likelihood of their success in maintaining long-term homeownership, including (a) training in skills necessary to be an effective landlord and (b) assistance in resolving problems that may arise after closing on a home;
8. identify and structure incentives to encourage program participation by lenders, investors, and developers with a goal of promoting homeownership; and
9. assist program participants in locating purchase financing and counseling before and after any purchase and direct them to programs that provide deferred, low, or no-interest or forgivable loans, including the state Rental Housing Revolving Loan Fund.

## **BACKGROUND**

***Related Bill***

SB 25 (§ 32) makes the same FY 13 GO bond authorization increase and reserves the same amounts for the same purposes, other than the urban revitalization pilot program.

**COMMITTEE ACTION**

Housing Committee

Joint Favorable Substitute

Yea 11      Nay 0      (03/16/2012)